



UMUZIWABANTU MUNICIPALITY
Financial statements
For the year ended June 30, 2015
Auditor General

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

General information

Municipal Council

District Council Representatives

Councillors

M.B. Gavu (Deputy Mayor)

M.P. Mteshane

D.Nciki (Mayor)

A.D. Ngubo (Speaker)

N.B. Dlamini (Exco Member)

M. Gallagher

M.S. Charane

A.T.C. Houston

T.H. Chiliza

D.S. Dlamini

M.J. Jali

X. Ndlangisa

M.V. Vezi

C.Z. Skosana

C.P. Nkomo

M.V. Nyathi

S.O. Njongo

S.W. Vethe

H.J. Ngubelanga

Grading of local authority

Grade 3

Municipal Manager

S.D. Mbhele

Chief Financial Officer (CFO)

S.T. Mhlongo

Registered office

Murchison Street

Harding

4680

Postal address

Private Bag X1023

Harding

4680

Bankers

Nedbank

First National Bank

Auditors

Auditor General

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
FMG	Municipal Finance Management Grant
MSIG	Municipal Systems Improvement Grant
EPWP	Expanded Public Works Programme

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Accounting Officers' Responsibilities and Approval

The accounting officer are required by the MFMA, to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledge that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officers to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Umuziwabantu Municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the 01 July 2014 to June 30, 2015 and, in the light of this review and the current financial position, they are satisfied that the Umuziwabantu Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 50 in terms of section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 27 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Mr S D Mbhele
Municipal Manager

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Statement of Financial Position as at June 30, 2015

	Note(s)	2015 R	2014 R
Assets			
Current Assets			
Inventories	7	437,461	184,482
Receivables from exchange transactions	8	956,181	746,596
VAT receivable	9	3,167,908	1,628,105
Consumer debtors	10	10,390,647	8,355,408
Cash and cash equivalents	11	77,096,793	59,638,099
		92,048,990	70,552,690
Non-Current Assets			
Investment property	2	1,479,000	1,632,000
Property, plant and equipment	3	184,598,558	169,539,671
Intangible assets	4	31,662	
Plantation Investment	6	23,205,643	22,163,740
		209,314,863	193,335,411
Total Assets		301,363,853	263,888,101
Liabilities			
Current Liabilities			
Finance lease obligation	14	104,754	251,623
Payables from exchange transactions	17	5,434,248	7,687,968
Consumer deposits	18	515,078	499,428
Unspent conditional grants and receipts	15	10,540,953	17,225,234
Provisions	16	5,406,576	5,057,331
		22,001,509	30,721,584
Non-Current Liabilities			
Finance lease obligation	14		239,013
Employee benefit obligation	5	3,953,122	6,958,000
		3,953,122	7,197,013
Total Liabilities		25,954,631	37,918,597
Net Assets		274,812,783	225,970,004
Net Assets			
Reserves			
Revaluation reserve	12	26,468,400	26,468,400
Accumulated surplus		248,344,383	199,501,604
Total Net Assets		274,812,783	225,970,004

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Financial Statements for the year ended June 30, 2015

Statement of Financial Performance

	Note(s)	2015 R	2014 R
Revenue			
Revenue from exchange transactions			
Afforestation Scheme sales		8,776,410	7,997,192
Service charges	21	28,272,904	23,360,280
Rental of facilities and equipment	36	45,240	45,590
Licences and permits		2,333,107	2,139,724
Other income	24	1,615,719	594,005
Interest received - investment	30	4,713,291	3,249,569
Total revenue from exchange transactions		45,756,671	57,385,359
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	13,854,561	11,681,696
Property rates - penalties imposed	20	558,826	654,668
Transfer revenue			
Government grants & subsidies	22	68,157,455	21,143,883
Capital grants	23	24,187,146	64,574,104
Fines		468,497	909,951
Total revenue from non-exchange transactions		107,226,485	88,304,302
Total revenue	19	152,983,156	145,689,661
Expenditure			
Salaries and Wages	26	(33,229,198)	(28,666,956)
Remuneration of councillors	27	(6,134,972)	(5,833,760)
Afforestation Scheme general expenses	28	(4,317,854)	(3,747,007)
Afforestation Scheme cost of sales		(4,929,651)	(4,637,697)
Depreciation and amortisation	32	(8,064,461)	(7,142,459)
Finance costs	33	(27,341)	(72,382)
Finance lease charges		(836,307)	(120,878)
Debt Impairment	29	(248,553)	1,185,001
Repairs and maintenance		(2,723,794)	(2,761,009)
Bulk purchases	39	(20,533,098)	(18,332,109)
Contracted services	37	(806,088)	(629,557)
Transfers and Subsidies	38	(214,970)	(240,160)
Loss on disposal of assets			(348,725)
General Expenses	25	(29,045,052)	(20,576,531)
Total expenditure		(111,111,339)	(91,576,609)
Operating surplus		41,871,817	54,113,052
Changes in value of plantation	31	1,175,807	2,064,252
Actuarial Gains/Losses	5	4,303,878	(13,725)
Surplus for the year		47,351,502	56,163,579

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Financial Statements for the year ended June 30, 2015

Statement of Changes in Net Assets

	Revaluation reserve R	Accumulated surplus R	Total net assets R
Balance at July 01, 2013 as restated*	23,468,400	152,675,919	176,144,319
Changes in net assets			
Surplus for the year		46,825,684	46,825,684
Total changes		46,825,684	46,825,684
Balance at July 01, 2014	23,468,400	201,562,223	225,030,623
Changes in net assets			
Surplus for the year		47,351,502	47,351,502
Total changes		47,351,502	47,351,502
Balance at June 30, 2015	23,468,400	248,913,725	272,382,125
Note(s)	12		

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Financial Statements for the year ended June 30, 2015

Cash Flow Statement

	Note(s)R	2015	2014 R
Cash flows from operating activities			
Receipts			
Sale of goods and services		39,427,661	33,542,786
Grants		92,344,601	85,592,987
Other receipts		29,818,650	17,424,889
Other cash item			(335,695)
		<u>161,590,912</u>	<u>136,224,967</u>
Payments			
Employee costs		(39,364,166)	(33,946,856)
Suppliers		(72,860,913)	(49,203,705)
Finance costs		(27,341)	(72,382)
Other cash item		(6,691,047)	7,672,985
		<u>(105,561,373)</u>	<u>(75,549,958)</u>
Net cash flows from operating activities	40	<u>56,029,539</u>	<u>60,675,009</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(37,269,219)	(81,208,279)
Proceeds from sale of property, plant and equipment	3		49,534,591
Proceeds from sale of investment property	2	153,000	49,000
Purchase of other intangible assets	4	(31,662)	
Movement in plantation investments		(1,041,403)	(2,088,051)
Purchase of other assets			11,791
		<u>(38,169,284)</u>	<u>(32,620,739)</u>
Net cash flows from investing activities			
Cash flows from financing activities			
Repayment of other financial liabilities			(80,217)
Finance lease payments		(413,223)	(470,853)
Other cash item		31,662	
		<u>(381,561)</u>	<u>(551,070)</u>
Net cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		17,458,694	26,503,208
Cash and cash equivalents at the beginning of the year		59,638,099	33,134,891
Cash and cash equivalents at the end of the year	11	<u>77,096,793</u>	<u>59,638,099</u>

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Financial Statements for the year-ended June 30, 2015

Statement of Comparison of Budget and Actual Amount

	Original budget	Budget adjustments (i.t.o. s26 and s31 of the MFMA)	Final adjustments and budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
2015											
Financial Performance											
Property rates	10,728,000	3,111,000	13,839,000			13,839,000	13,854,561		15,561	100 %	129 %
Service charges	31,239,000	(175,000)	31,064,000			31,064,000	28,272,904		(2,791,096)	91 %	91 %
Investment revenue	2,508,000	1,000,000	3,508,000			3,508,000	4,674,644		1,166,644	133 %	186 %
Transfers recognised - operational	59,167,000	9,507,000	68,674,000			68,674,000	68,157,455		(516,546)	99 %	115 %
Other own revenue	13,849,000	29,353,034	43,202,034			43,202,034	38,137,034		(5,065,000)	88 %	275 %
Total revenue (excluding capital transfers and contributions)	117,491,000	42,795,034	160,287,034			160,287,034	153,056,598		(7,190,436)	96 %	130 %
Employee costs	38,856,000	-	38,856,000			38,856,000	(33,229,198)		(72,085,198)	(86)%	(86)%
Remuneration of councillors	6,238,000	(11,000)	6,227,000			6,227,000	(6,134,972)		(12,361,972)	(99)%	(98)%
Debt impairment							(248,553)		(248,553)	0 %	0 %
Depreciation and asset impairment	5,905,000	1,095,000	7,000,000			7,000,000	(8,045,336)		(15,641,675)	(123)%	(146)%
Finance charges	105,000	56,000	161,000			161,000	(636,307)		(997,307)	(519)%	(796)%
Materials and bulk purchases	27,559,000		27,559,000			27,559,000	(21,541,000)		(49,100,000)	(78)%	(78)%
Transfers and grants	3,264,000		3,264,000			3,264,000	(2,670,011)		(5,934,011)	(82)%	(82)%
Other expenditure	35,563,000	17,762,988	53,325,988			53,325,988	(5,456,973)		(58,782,961)	(10)%	(15)%
Total expenditure	117,480,000	18,902,988	136,382,988			136,382,988	(76,132,360)		(215,151,677)	(56)%	(37)%
Surplus/(Deficit)	234,951,500	61,399,022	293,650,032			293,650,032	74,934,243		(222,542,113)	25 %	32 %

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Financial Statements for the year ended June 30, 2015

Statement of Comparison of Budget and Actual Amount

	Original budget	Budget adjustments (l.t.o. s28 and budget s31 of the MFMA)	Final adjustments and budget	Sinking of funds (l.t.o. of the MFMA)	Virement (l.t.o. council approved policy)	Final budget Actual		outcome		Unauthorised Variance		expenditure		Actual Actual		outcome outcome		as % of as % of		final original		budget budget		R	
						R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Contributions recognised capital and contributed assets	31,033,000	9,841,000	40,874,000				40,874,000	(28,758,553)		(69,632,553)				(70)%	(93)%										
Surplus (Deficit) after capital transfers and contributions	266,014,000	71,554,022	337,568,022				337,568,022	46,175,503		(291,973,066)				14%	17%										
Changes in Value of Plantation							-	(1,175,807)		(1,175,807)				0%	0%										
Surplus/(Deficit) for the year	266,014,000	71,554,022	337,568,022				337,568,022	47,351,502		(290,793,859)				14%	18%										
Capital expenditure and funds sources of capital funds																									
Transfers recognised - capital	21,121,000		21,121,000				21,121,000	21,559,752		438,752				102%	102%										

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the MFMA.

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the year ended 30 June 2015 the Municipality has adopted the accounting framework as set out above.

The Municipality changes an Accounting Policy only if the change :

a) is required by a Standard of GRAP; or listed below:

GRAP 21: Impairment of Non-cash -generating Assets

GRAP 23: Revenue from Non-exchange Transactions (Taxes and Transfer)

GRAP 24: Presentation of Budget information in Financial Statements - issued November 2007

GRAP 25: Employee Benefits

GRAP 26: Impairment of Cash-generating Assets

GRAP 103: Heritage Assets

GRAP 104: Financial Instruments

b) results in the Annual Financial Statements providing reliable and more relevant information about the effects transactions, other events or conditions have on the performance or cashflow

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Accounting Policies

1.3 Critical Judgements, Estimations and Assumptions

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the Municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements.

Revenue Recognition

Accounting Policy clause 9.1 on Revenue from Exchange Transactions and Accounting Policy clause 9.2 on Revenue from Non-exchange Transactions describe the conditions under which revenue will be recorded by the management of the Municipality

In making their judgement, the management considered the detailed criteria for the recognition of the revenue as set out in GRAP 9 (Revenue from Exchange Transactions) as far as Revenue from Non-Exchange Transaction is concerned (See basis for Preparation above), and in particular, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. The Management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Financial Assets and Liabilities

The classification of Financial Assets and Liabilities, into categories, is based on GRAP standards.

Impairment of financial Assets

Accounting Policy Clause 5.4 on Impairment of Financial Assets describes the process followed to determine the value with which financial assets should be impaired. In making the estimation of the impairment, the management of the Municipality considered the detailed criteria impairment of financial assets as set out in IAS 39: Financial Instruments - Recognition and Measurement. The management of the Municipality is satisfied that impairment of financial assets recorded during the year is appropriate.

Useful Lives of Property, Plant and Equipment

As described in the Accounting policy clauses 2.2, 3.2 and 4.2, the Municipality depreciates/amortises its Property, Plant and Equipment and Intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on the industry knowledge.

Impairment: Write down of Property, Plant and Equipment and Inventories

Significant estimates and judgements are made relating to Property, Plant and Equipment impairment tests and write down of inventories to Net Realisable Values.

1.4 Going Concern Assumption

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.5 Standards, Amendments to Standards and Interpretations issued and adopted

The following GRAP standards have been issued and have been adopted by the municipality:

GRAP 21: Impairment of Non-cash -generating Assets
GRAP 23: Revenue from Non-exchange Transactions (Taxes and Transfer)
GRAP 24: Presentation of Budget information in Financial Statements - issued November 2007
GRAP 25: Employee Benefits
GRAP 26: Impairment of Cash-generating Assets
GRAP 103: Heritage Assets
GRAP 104: Financial Instruments

The following standards, amendments to standards and interpretations have been issued have been adopted by the municipality:

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Financial Statements for the year ended June 30, 2015

Accounting Policies

1.6 Investment property

Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from the change in the fair value of the property is included in surplus or deficit for the period in which it arises.

Investment property is measured using cost model and is estimated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on the cost, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The gain or loss arising from disposal of an investment property is determined as a difference between sales proceeds and carrying value and is recognised in the statement of financial performance.

Item	Useful life
Investment Property	30 years

1.7 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Accounting Policies

1.7 Property, plant and equipment (continued)

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

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Financial Statements for the year ended June 30, 2015

Accounting Policies

1.7 Property, plant and equipment (continued)

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

DEPRECIATION AND IMPAIRMENT

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Landfill sites	25 years
Roads	
Roads and Paving	30 years
Community	
Buildings	30 years
Recreational Facilities	30 years
Security	30 years
Other Property Plant and Equipment	
Specialised Vehicles	2-15 years
Other Vehicles	2-15 years
Bins and Containers	2-15 years
Heritage Assets	
Buildings	30 years
Finance Leased Assets	
Office Equipment	5 years
Other Assets	5 years
Furniture and Fixtures	5-7 years
IT equipment	3-5 years
Cemetries	50 years
Landfill sites	

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Accounting Policies

1.7 Property, plant and equipment (continued)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Derecognition of Property, Plant and Equipment

The municipality changed its accounting policy for property, plant and equipment in 2015. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 3. The transitional provision expires on Saturday, June 30, 2012.

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where property, plant and equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant and equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2015 and property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 3.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Accounting Policies

1.8 NON-CURRENT ASSETS HELD FOR SALE

INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.9 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions and obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.10 Intangible assets

INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Accounting Policies

1.10 Intangible assets (continued)

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	3-5 yrs
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.11 Event after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non adjusting events after the reporting date have been disclosed in the Annual Financial Statements.

1.12 Related parties

Individuals, as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager

1.13 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Accounting Policies

1.14 Leases

Finance leases as lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an are transferred to the municipality .Property ,plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payment due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property,plant,equipment or intangibles. The lease liability is reduced by the lease payments,which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Municipality as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. The receivables is calculated as the sum of all the minimum lease payments to be recieved, plus any unguaranteed residual accruing to the municipality,discounted at the interest rate implicit in the lease .The receivable is reduced by the capital portion of the lease instalments recieved ,with the interest portion being recognised as interest revenue on a time proportionate basis The accounting policies relating to derecognition and impairment of financial instruments are applied to lease recieved.

Operating leases - lessor

Operating lease income is recognised as revenue on a straight line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income .

income for leases is disclosed under revenue in statement of financial performance.

Operating leases -lessee

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in the Statement of Financial Performance accrued on a straight-line basis over the term of the relevant lease.

1.15 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The Housing Development Fund is cash-backed and is dedicated to housing needs. The cash was generated by the sale of plots some years ago, and expenditure thereof is subject to approval of the Housing Board.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Accounting Policies

1.16 Changes in accounting policies, estimated and errors

Changes in Accounting Policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy in such cases the municipality restated the opening balances of assets, liabilities and net assets for earliest period for which retrospective restatement is practicable. Refer to the note for details of changes in accounting policies

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements, Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective is practicable.

The municipality identified and disclosed the impact of GRAP standards that have been issued but are not yet effective in accordance with the requirements of GRAP 3.

1.17 Afforestation

The Harding Afforestation Scheme (the Scheme) is managed by NCT Tree Farming (Pty) Ltd (NCT) and NCT is paid a management fee for this service by the Scheme. The Scheme's annual net profit accrues to the Umuziwabantu Municipality (UM). In terms of the agreement between NCT and UM certain fixed assets and the plantations under the control of the Scheme are the property of, and will remain the property of, the Umuziwabantu Municipality. Biological assets (plantation inventories) are stated at fair value less estimated point of sale costs, based on the present value of net future cash flows from the asset discounted at a market determined pre-taxation rate. Increases or decreases in value are recognised in the income statement.

All expenses incurred in maintaining and protecting the assets are recognised in the income statement. Finance charges are not capitalised.

1.18 Inventories

Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Consumable stores are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average method. Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Accounting Policies

1.19 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amount of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the assets in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

1.20 Employee benefits

Employee benefits are all forms of consideration given by an Umuziwabantu Municipality in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- Municipalitie's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Accounting Policies

1.20 Employee benefits (continued)

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

The municipality provides retirement benefits for its employees. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the three defined benefit funds it administers. Contributions are charged as an expense in the Statement of Financial Performance in the year that they become payable.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the Contributions which are charged as an expense in the Statement of Financial Performance in the year that they become payable.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which a entity provides post-employment benefits for one or more employees.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.21 Provisions and contingencies

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note . Annual Financial Statements.

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Accounting Policies

1.21 Provisions and contingencies (continued)

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.22 Revenue from exchange transactions

Service charges relating to refuse removal are raised by means of a rate, and the rate is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised.

Interest and rentals are recognised on a time proportion basis

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividends

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when the risk is passed to the consumer. Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received but the Municipality not met the condition, a liability is recognised

1.23 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Accounting Policies

1.23 Revenue from non-exchange transactions (continued)

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable.

Penalty interest on unpaid rates is recognised on the time proportion basis.

Fines constitute both spot fines and summonses.

Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset as per IGRAP 1.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

1.24 Trade payables and borrowings

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.25 Comparative figures

Budgeted amounts have been included in the Annual Financial Statements for the current financial year.

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

1.26 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Accounting Policies

1.29 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.30 Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

1.31 Cash and cash equivalent

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.32 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2014 to 6/30/2015.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Notes to the Financial Statements

	2015 R	2014 R
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2. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,479,000		1,479,000	1,632,000		1,632,000

Reconciliation of investment property - 2015

	Opening balance	Disposals	Total
Investment property	1,632,000	(153,000)	1,479,000

Details of property

Various land where council has not determined future use and the fair value disclosed was based on valuation by an independent valuer, Mills Fitchet, who holds a recognised and relevant professional qualification and has recent experience in the category of the valued investment properties.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

3. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	18,782,297	-	18,782,297	19,380,797	-	19,380,797
Buildings	23,070,726	(6,752,691)	16,318,035	22,163,226	(5,881,883)	16,281,343
Plant and machinery	8,236,869	(4,209,407)	4,027,461	5,898,949	(4,182,502)	1,716,447
Furniture and fixtures	2,117,522	(1,557,257)	560,266	2,034,196	(1,439,132)	565,064
IT equipment	1,295,500	(680,644)	614,857	1,064,738	(596,959)	467,779
Roads	108,798,272	(16,244,481)	92,553,791	97,743,091	(11,982,346)	85,760,745
Other property, plant and equipment	7,138,771	(3,088,719)	4,050,052	5,310,283	(2,463,187)	2,847,096
Other leased Assets	683,955	(341,978)	341,977	1,372,948	(686,429)	686,519
Cemeteries	5,993	(5,984)	9	5,993	(5,976)	17
Afforestation	1,822,382	(465,909)	1,356,473	1,708,247	(341,109)	1,367,138
Solid waste	4,092,540	(1,473,878)	2,618,661	3,957,140	(1,093,682)	2,863,458
Electricity	12,422,781	(5,495,208)	6,927,573	12,274,281	(5,080,212)	7,194,069
Under construction	36,447,106	-	36,447,106	30,409,199	-	30,409,199
Total	224,914,713	(40,315,155)	164,599,558	203,323,092	(23,783,417)	169,639,671

UMUZIWABANTU MUNICIPALITY
Financial Statements for the year ended June 30, 2015

Notes to the Financial Statements

Restated

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Prior year adjustments	Disposals	Other movements	Accumulated depreciation disposals	Useful life re-assessment	Depreciation	Impairment loss	Total
Land	19,380,797	552,500	-	(1,151,000)	(1,741,616)	-	-	870,808	-	18,782,297
Buildings	16,281,343	907,500	-	-	(53,811)	(296,011)	(68,078)	391,047	(53)	16,318,035
Plant and machinery	1,716,447	2,653,891	62,487	(378,458)	(176,249)	(95,653)	(70,851)	254,926	(298)	4,027,461
Furniture and fixtures	565,064	151,716	49,827	(118,216)	(167,369)	(113,657)	(7,110)	204,452	-	560,266
IT equipment	467,779	333,090	49,055	(151,383)	(8,524,270)	(340,453)	-	4,602,588	-	614,857
Roads	85,760,745	12,988,513	-	(1,933,332)	(1,251,063)	-	-	625,531	-	92,553,791
Other property, plant and equipment	2,847,096	1,828,488	-	-	-	(565,959)	-	221,507	-	4,050,052
Other leased Assets	686,519	-	-	(688,994)	688,905	-	-	8	-	341,978
Cemeteries	17	-	-	-	(17)	-	-	98,634	-	1,356,473
Afforestation	1,367,138	87,968	-	-	(197,267)	-	-	380,197	-	2,618,661
Solid waste	2,863,458	94,200	41,200	-	(760,394)	-	-	414,996	-	6,927,573
Electricity	7,194,069	148,500	-	-	(829,992)	-	-	-	-	36,447,106
Under construction	30,409,199	17,495,853	315,386	(11,773,343)	1	-	-	-	-	42,598,558
	188,539,671	37,262,219	517,965	(16,194,728)	(13,913,142)	(1,414,732)	(143,036)	8,034,604	(351)	12,598,558

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Umuziwabantu municipality Refer to Appendix B for more detail on property, plant and equipment. The effective date of revaluation of land was 1 July 2009, and an independent valuer, Millsfichtel, was appointed to do the valuation. The valuation was determined at market related values or recent market transactions at arms's length, or were estimated.

Change in Accounting Estimates

The useful life of furniture and office equipment was previously estimated to be 7 years and machinery and equipment to be 5 years. At the beginning of the current period management has revised the estimate from 7 to 11 years for furniture and office equipment and from 5 to 11 years for machinery and equipment. The effect of this revision has decreased the depreciation charge for the current period by R 8 197.38 for furniture and office equipment and R 43 793.61 for machinery and equipment.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Notes to the Financial Statements

	2015 R	2014 R
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4. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	38,770	(7,108)	31,662			

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Total
Computer software, other	-	31,662	31,662

The amortisation expense has been included in the line item "Depreciation" in the Statement of Financial Performance

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Notes to the Financial Statements

	2015 R	2014 R
5. Employee benefit obligations		
Calculation Post Employment Medical Subsidy :		
Independent valuers, Arch actuarial consulting, carried out a statutory valuation on an annual basis.		
The principal actuarial assumptions used were as follows		
Discount rate per annum	9.14 %	8.51 %
Healthcare cost inflation	8.30 %	8.07 %
Net discount rate	0.78 %	0.41 %
Example of mortality rates used were as follows:		
Average retirement age	65	65
Mortality during employment	SA85-90	SA85-90
Members withdrawn from services: (Average for males and females)		
	Female	Male
Age 20	24 %	16 %
Age 30	15 %	10 %
Age 40	6 %	6 %
Age +50	- %	- %
The amounts recognised in the Statement of Financial Position were determined as follows:		
Present value of funded obligations	2,619,938	5,144,000
Fair value of plan assets	-	-
	2,619,938	5,144,000
Movements in the defined benefit obligation is as follows:		
Opening balance	5,144,000	4,064,000
Current service cost	622,000	765,000
Actuarial (gains)/ losses	(3,526,062)	371,000
Benefit Payments	(56,000)	(56,000)
Interest cost	436,000	-
	2,619,938	5,144,000
Post-employment medical benefits loss	N/A	N/A
Long Service Award (gain)/loss	2,619,938	5,144,000
	2,619,938	5,144,000
Statement of Financial performance obligation for:		
Long service award loss	(3,526,062)	371,000
	(3,526,062)	371,000
	-	-
	(3,526,062)	371,000

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Notes to the Financial Statements

	2015 R	2014 R
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5. Employee benefit obligations (continued)

Calculation of actuarial gains and losses (Long Service Bonus Awards Actuarial Valuation)

Independent valuers, Arc actuarial consulting, carried out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

9.14 %	8.51 %
8.30 %	8.07 %
0.78 %	0.41 %

Examples of mortality rates used were as follows:

Average retirement age	65	65
Mortality during employment	SA85-90	SA85-90

Members withdrawn from services: (Average for males and females)

	Female	Male
Age 20	24 %	16 %
Age 30	15 %	10 %
Age 40	6 %	6 %
Age +50	- %	- %

The amounts recognised in the Statement of Financial Position were determined as follows:

Present value of funded obligations	1,333,184	1,814,000
Fair value of plan assets	-	-
	1,333,184	1,814,000
Actuarial (gains) losses – Obligation	1,814,000	1,574,000
Current service cost	257,000	344,000
Actuarial (gains)/losses	(777,816)	(36,000)
Benefit payment	(110,000)	(68,000)
Interest Cost	150,000	-
	1,333,184	1,814,000

The amounts recognised in the Statement of Financial

Performance were as follows:

In conclusion:

Statement of Financial Position obligation for:

Post-employment medical benefits	N/A	N/A
Long Services Award.	1,333,184	1,814,000
	1,333,184	1,814,000

Post-employment medical benefits loss	N/A	N/A
Long Service Award (gain)/loss	(777,816)	(36,000)
	(777,816)	(36,000)
	-	-
	(777,816)	(36,000)

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Notes to the Financial Statements

	2015 R	2014 R
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5. Employee benefit obligations (continued)

Key assumptions used

Long Service Awards and Medical Aid Subsidy Liability

General salary inflation	7.21 %	7.82 %
Discount rates per annum	8.14 %	8.51 %
Expected rate of return on assets	0.86 %	0.64 %
Discount rate per annum	9.14 %	8.51 %
Net discount rate	0.78 %	0.41 %
Expected increase in healthcare costs	8.30 %	8.07 %

Salaries - Changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future benefit increases:

HEALTH CARE COST INFLATION

The valuation basis assumes that the health care cost inflation rate (which manifests itself as the annual increase to the total contribution subsidised by the employer) will be 0.41% less than the corresponding discount rate, in the long term.

Therefore, a 1% increase in the health care cost inflation assumption will result in a 30.9% increase in the accrued liability. Similarly, a 1% decrease in the health care cost inflation assumption will result in a 22.5% decrease in the accrued liability.

SALARY INFLATION

The valuation bases assume that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determine the bonuses payable) will be 0.64% less than the corresponding discount rate, in the long term. 1% increase in the salary cost inflation assumption will result in roughly a 10.7% increase in the accrued liability. Similarly, a 1% decrease in the salary inflation assumption will result in roughly a 9.3% decrease in the accrued liability.

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

Amounts for the current and previous four years are as follows:

6. Plantation Investment

Plantation standing timber-Afforestation Scheme	23,205,143	22,163,740
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The increase in fair value during the year was R 1 175 807 (2014 : R 2 064 252 increase) Plantation inventories are stated at fair value less estimated point of sale costs, based on the present value of net future cash flows from the asset discounted at a market determine pre-taxation rate. The Scheme held 1,189 (2014 : 1 154) hectares of plantation at year end. The scheme is exposed not anticipate that standing crop prices will decline significantly in the foreseeable future, and therefore, has not entered into any derivative or other contract to manage the risk of a decline in standing crop prices. The scheme reviews its outlook for standing timber prices regularly in considering the need for active financial risks management.

7. Inventories

Inventory as per general ledger - Electrical equipment	101,496	122,189
Store stock	56,431	22,987
Afforestation scheme	279,534	39,306
	<u>437,461</u>	<u>184,482</u>

The inventory value is considered as the lower of cost or net realisable value.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Notes to the Financial Statements

	2015 R	2014 R
8. Receivables from exchange transactions		
Trade debtors	945,781	736,196
Deposits	10,400	10,400
	956,181	746,596

The Credit Control Policy states that the average credit period is 30 days. Interest is charged on overdue accounts and such interest is determined by Council. Management has profiled each debt and considered the effect of any impairment in the value of outstanding debt

The provision is made annually and is calculated by analysing all those above 90 days. The recoverability of debt owing by each above 90 days is assessed and the irrecoverable is classified based on the category area. No provision has been made with regards to property rate as these amounts are considered to be fully recoverable.

9. VAT receivable

VAT	3,167,908	1,628,105
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VAT is payable on the cash basis. Once payment is received from debtors, VAT is paid over to SARS

10. Consumer debtors**Gross balances**

Rates	8,597,596	6,622,837
Electricity	2,690,149	2,719,859
Refuse	480,743	596,233
	11,768,488	9,938,929

Less: Allowance for impairment

Provision for Bad Debt	(1,377,840)	(1,583,521)
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Net balance

Rates	8,597,596	6,622,837
Electricity	2,690,149	2,719,859
Refuse	480,743	596,233
Provision for Bad Debt	(1,377,840)	(1,583,521)
	10,390,648	8,355,408

Included in above is receivables from exchange transactions

Electricity	2,690,149	2,719,859
Refuse	480,743	596,233
	3,170,892	3,316,092

Included in above is receivables from non-exchange transactions (taxes and transfers)

Rates	7,626,525	6,622,837
Traffic Fines	971,070	667,420
	8,597,595	7,290,257

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Notes to the Financial Statements

	2015 R	2014 R
10. Consumer debtors (continued)		
Net balance	11,768,487	10,606,349
Rates		
Current (0 -30 days)	449,630	245,633
31 - 60 days	395,920	367,858
61 - 90 days	285,831	268,482
91 - 120 days	257,591	234,556
121 - 365 days	204,591	226,704
> 365 days	7,004,033	5,279,604
	8,597,556	6,622,837
Electricity		
Current (0 -30 days)	1,723,223	2,137,841
31 - 60 days	723,640	377,573
61 - 90 days	45,523	33,888
91 - 120 days	23,867	7,100
121 - 365 days	16,395	3,149
> 365 days	157,501	160,308
	2,690,149	2,719,859
Refuse		
Current (0 -30 days)	146,423	123,610
31 - 60 days	72,415	71,276
61 - 90 days	30,898	32,539
91 - 120 days	20,712	22,713
121 - 365 days	16,977	18,649
> 365 days	193,318	327,446
	480,743	596,233
Other (specify)		
> 365 days	(1,377,840)	(1,583,521)

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Notes to the Financial Statements

	2015 R	2014 R
10. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	933,833	1,141,492
31 - 60 days	785,754	459,835
61 - 90 days	284,693	256,752
91 - 120 days	238,509	206,821
121 - 365 days	181,619	193,070
> 365 days	3,999,417	3,751,000
	6,423,825	6,008,970
Industrial/ commercial		
Current (0 -30 days)	1,062,516	896,259
31 - 60 days	255,352	280,133
61 - 90 days	54,135	72,671
91 - 120 days	43,347	55,522
121 - 365 days	41,158	54,475
> 365 days	1,073,060	1,225,686
	2,529,568	2,534,746
National and provincial government		
Current (0 -30 days)	322,927	469,333
31 - 60 days	150,869	76,739
61 - 90 days	23,425	5,487
91 - 120 days	20,314	2,026
121 - 365 days	15,162	958
> 365 days	1,311,327	564,368
	1,844,024	1,118,911
Total		
Current (0 -30 days)	2,319,276	2,507,084
31 - 60 days	1,191,975	816,707
61 - 90 days	362,252	334,910
91 - 120 days	302,170	264,369
121 - 365 days	237,939	248,502
> 365 days	7,354,876	5,767,357
	11,768,488	9,938,929
Less: Allowance for impairment	(1,377,840)	(1,583,521)
	10,390,648	8,355,408
Less: Provision for debt impairment		
91 - 120 days	(44,599)	(29,813)
121 - 365 days	(33,372)	(1,165,905)
> 365 days	(1,299,869)	(387,803)
	(1,377,840)	(1,583,521)
Reconciliation of allowance for impairment		
Debt impairment written off against allowance	(1,377,840)	(1,583,521)

The Credit Control Policy states that the average credit period is 30 days. Interest is charged on overdue accounts and such interest is determined by Council. Management has profiled each debt and considered the effect of any impairment in the value of outstanding debt

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Notes to the Financial Statements

	2015 R	2014 R
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10. Consumer debtors (continued)

The provision is made annually and is calculated by analysing all those above 90 days. The recoverability of debt owing by each above 90 days is assessed and the irrecoverable is classified based on the category area. No provision has been made with regards to property rate as these amounts are considered to be fully recoverable

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3,232	4,913
Bank balances	4,513,362	1,825,353
Short-term deposits	72,580,199	57,807,833
	77,096,793	59,638,099

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
FNB-Account Number : 612 4000 6266 Account type- Investment Account	463,406	451,358	463,406	451,358
FNB-Account Number : 714 6030 0059-Account Type : Investment Account	12,989,335	12,238,685	12,989,335	12,238,685
NEDBANK-Account Number: 0371 6501 4802/0001 Account Type : Investment Account	-	104,743	-	104,743
NEDBANK -Account Number : 0371 6501 8956/01 -Account Type : Investment Account	18,707	14,673	18,707	14,673
NEDBANK -Account Number : 0371 6501 5337/01 - Account Type - Investment Account	378,712	129,329	378,712	129,329
NEDBANK-Account Number : 0371 6501 6856/14 Account Type - Investment Account	25,215,491	-	25,215,491	-
NEDBANK - Account Number : 0371 6501 6856/ 0017 - Account Type - Investment Account	-	25,934,951	-	25,934,951
NEDBANK- Account Number : 0371 6501 4802/0016 - Account Type - Investment Account	6,360	1,146,378	6,360	1,146,378
NEDBANK - Account Number : 0371 6501 6859/0009 Account Type - Investment Account	-	17,315,408	-	17,315,408
NEDBANK-Account Number : 0371 6501 3008/24 Account Type - Investment Account	27,386,289	-	27,386,289	-
NEDBANK-Account Number : 0371 6501 4802/01 Account Type - Investment Account	3,401	-	3,401	-
NEDBANK-Account Number : 0371 6501 4802/17 Account Type - Investment Account	5,400,859	-	5,400,859	-
NEDBANK- Account Number : 116 503 3615 - Account Type - Primary Bank Account	4,478,507	1,827,571	4,513,362	1,827,571
FNB-Account Number : 509 3274 2767-Account Type Current Account (Afforestation Scheme)	706,840	461,511	717,639	459,291
Cash Float on Hand	3,232	4,913	3,232	4,913
Total	77,051,139	59,629,520	77,096,793	59,627,300

12. Revaluation reserve

Opening balance	26,468,400	26,468,400
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UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Notes to the Financial Statements

	2015 R	2014 R
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13. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2015

	Capital replacement reserve	Capitalisation reserve	Donations and public contributions	Actuary	Total
Opening balance	2,570,196	3,981,424	142,352	(335,000)	6,358,972

Ring-fenced internal funds and reserves within accumulated surplus - 2014

	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Donations and public contributions	Actuary	Total
Opening balance	2,570,196	3,981,424	87,881,319	142,352	(335,000)	94,240,291
Transfer to capital replacement reserve	-	-	(89,517,991)	-	-	(89,517,991)
Capital grants used to purchase property, plant and equipment	-	-	1,636,672	-	-	1,636,672
	2,570,196	3,981,424	-	142,352	(335,000)	6,358,972

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus. The Capital Replacement Reserve is a reserve to finance future capital expenditure and is invested in Capital Instruments. The Capitalisation Reserve is the carrying value of the items of Property, Plant and Equipment from the former legislated funds. The capitalisation reserve ensures community wealth and is not cash backed. The reserve ensures community wealth and is not cash backed.

14. Finance lease obligation

Minimum lease payments due

- within one year	108,182	275,998
- in second to fifth year inclusive	-	108,174
	108,182	384,172
less: future finance charges	(3,428)	(27,802)
Present value of minimum lease payments	104,754	356,370

Present value of minimum lease payments due

- within one year	104,754	97,436
- later than five years	-	(8,858)
	104,754	88,578

Non-current liabilities	-	239,013
Current liabilities	104,754	251,623
	104,754	490,636

It is Umuziwabantu Municipality policy to lease certain motor vehicles and equipment under finance leases.

Interest rates are fixed at the contract date. All leases have fixed repayments and exclude additional charges for contingent rent based on a percentage of sales.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Notes to the Financial Statements

	2015 R	2014 R
15. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Electrification Grant	283,000	7,664,933
Municipal Systems Improvement Grant(MSIG)	-	223
Strategic Environmental Assessment Grant(SEA)	256,989	256,989
Small Town Rehabilitation Grant	755,752	2,143,304
Finance Management Grant (FMG)	-	97
Land Use Management Systems Grant (LUMS)	73,000	73,000
Municipal Infrastructure Grant(MIG)	8,789,659	6,965,859
Government Expect Grant	7,890	7,890
Sports and Recreation Grant	-	55,439
IDP (Public participation) Grant	57,500	57,500
Disaster Management Grant	317,163	-
	10,540,953	17,225,234

Movement during the year

Balance at the beginning of the year	17,225,234	13,182,220
Additions during the year	26,608,163	40,535,000
Income recognition during the year	(33,292,444)	(36,491,986)
	10,540,953	17,225,234

These amounts are invested until utilised.

See Note 16 for reconciliation of grants from other, the unspent grants are cash backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

16. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Movements during the year	Total
Environmental rehabilitation	2,869,561	272,608	3,142,169
Provision for Accrued Leave	2,187,770	76,637	2,264,407
	5,057,331	349,245	5,406,576

Staff leave is accrued to the staff of the municipality on an annual basis subject to certain conditions. The provision is the estimate of the amount due at the reporting date.

The Harding general waste landfill site is amortised over a period of 25 years as per USK Consulting report (engineer). The budget allocated to this rehabilitation is R 21 131 293.68. The present value is calculated as follows:

Interest – 9.5%

Number of years - 25

The present as at 2012 is R2 185 612.20 that was capitalised in the 2011/2012 financial year. The depreciation is calculated on the straight line basis. The provision of the landfill site increases on 9.5% rate per annum. In the current financial year an amount of R272 608 increased the provision.

The Landfill site registered with the Department of Environmental Affairs .

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Notes to the Financial Statements

	2015 R	2014 R
17. Payables from exchange transactions		
Trade payables	1,640,852	2,876,710
Accrued bonus	1,473,914	1,357,646
Housing creditors	371,827	339,377
Other creditors	286,880	323,141
Retention	1,660,770	2,791,095
	5,434,243	7,687,969

The average credit period on purchases is 30 days from the receipt of the invoice as determined by the MFMA.

18. Consumer deposits

Electricity	515,078	499,428
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Consumer deposits are paid by consumers on application for new electricity connections. The deposits are paid when the electricity connections are terminated. In cases of consumers defaulting on their accounts the municipality can apply the deposit as payments for any outstanding balance

19. Revenue

Afforestation Scheme sales	8,776,410	7,997,192
Service charges	28,272,904	23,360,280
Rental of facilities and equipment	45,240	45,590
Licences and permits	2,333,107	2,139,724
Other income	1,615,719	594,005
Interest received - investment	4,713,291	3,249,569
Property rates	13,854,561	11,681,696
Property rates - penalties imposed	558,826	654,668
Government grants & subsidies	68,157,455	50,789,519
Capital grants	24,187,146	34,928,468
Fines, Penalties and Forfeits	468,497	909,951
	152,983,156	136,350,662

The amount included in revenue arising from exchanges of goods or services are as follows:

Afforestation Scheme sales	8,776,410	7,997,192
Service charges	28,272,904	23,360,280
Rental of facilities and equipment	45,240	45,590
Licences and permits	2,333,107	2,139,724
Other income	1,615,719	594,005
Interest received - investment	4,713,291	3,249,569
	45,756,671	37,386,360

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	13,854,561	11,681,696
Property rates - penalties imposed	558,826	654,668
Transfer revenue		
Government grants & subsidies	68,157,455	50,789,519
Capital grants	24,187,146	34,928,468
Fines, Penalties and Forfeits	468,497	909,951
	107,226,485	98,964,302

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Notes to the Financial Statements

	2015 R	2014 R
20. Property rates		
Rates received		
Residential	3,771,371	3,403,899
Commercial	5,112,997	3,695,742
State	4,674,006	4,341,133
Agriculture	404,331	407,820
Public Service Infrastructure	11,270	10,465
Tourism	60,116	56,531
Less: Income forgone	(179,529)	(233,894)
	<u>13,854,562</u>	<u>11,681,696</u>
Property rates - penalties imposed	558,826	654,668
	<u>14,413,388</u>	<u>12,336,364</u>

All registered indigents receive a monthly subsidy of 100 % rebate on rates which is funded from the Equitable Share Grant.

Valuations

Residential	421,261,633	415,853,633
Commercial	382,974,000	304,924,000
State	436,008,000	436,008,000
Agriculture	337,536,000	339,621,000
Public Service Infrastructure	5,750,000	5,750,000
Communal	98,380,000	95,905,000
Municipal	24,450,000	24,294,000
Public Benefit Organisation	34,752,000	32,552,000
Tourism	11,250,000	11,250,000
	<u>1,752,361,633</u>	<u>1,666,157,533</u>

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed to take into account changes in individual property values due to alterations and subdivisions. Different rate randages for Domestic, Commercial, Industrial and State properties are applied to property valuations to determine assessment rates. Rates are levied annually. Market related interest is levied on outstanding rates.

The new general valuation will be implemented on 01 July 2017.

21. Service charges

Sale of electricity	26,494,599	21,796,465
Refuse removal	1,778,305	1,563,815
	<u>28,272,904</u>	<u>23,360,280</u>

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Notes to the Financial Statements

	2015 R	2014 R
22. Operational Grants		
Equitable Share Grant	52,328,290	41,079,668
Other Government grants	8,514,435	2,572,678
Free Basic Electricity Grant	3,019,410	2,848,500
Financial Management Grant	1,800,097	1,649,903
Provincialisation of libraries (Cyber Cadet) Grant	126,000	120,000
Municipal Systems Improvement Grants	934,223	889,777
CBD M/Plan & TP Scheme Grant	-	152,233
Library Subsidy Grant	535,000	514,000
EPWP Grant	900,000	962,760
	68,157,455	50,789,519

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

EQUITABLE SHARE

Current-year receipts	59,070,000	49,226,000
Conditions met - transferred to revenue	(59,070,000)	(49,226,000)
	-	-

Unconditional Grant It has been utilised to co-fund operating activities to assist the municipality to efficiently provide service delivery (see note 15).

NEP GRANT (ESKOM)

Balance unspent at beginning of year	7,664,933	-
Current-year receipts	-	9,000,000
Conditions met - transferred to revenue	(7,381,933)	(1,335,067)
	283,000	7,664,933

Conditions still to be met - remain liabilities (see note 15)

This grant was provided by ESKOM to the municipality to address the backlog of occupied residential dwellings, the installation of bulk infrastructure, rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

LIBRARY SUPPORT GRANT

Current-year receipts	535,000	514,000
Conditions met - transferred to revenue	(535,000)	(514,000)
	-	-

Conditions has been met - remain liabilities (see note 15).

This grant was received from KZN Department of Arts and Culture and it is used to subsidize day to day operating expenses for Harding Town Library.

CBD M/TP SCHEME GRANT

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Notes to the Financial Statements

	2015 R	2014 R
22. Operational Grants (continued)		
Conditions met - transferred to revenue	-	152,233
Other	-	(152,233)
	<u>-</u>	<u>-</u>

Conditions has been met - There is no remaining liabilities (see note 15).

This grant is used to develop CBD Master Plan and Town Planning Scheme for Harding Town.

Municipal System Improvement Grant (MSIG)

Balance unspent at beginning of year	223	-
Current-year receipts	-	890,000
Conditions met - transferred to revenue	934,000	(889,777)
Other	(934,223)	-
	<u>-</u>	<u>223</u>

Conditions has been met - There is no remaining liabilities (see note 15).

This grant is used for infrastructure, capacity building and restructuring. The capacity building and restructuring grants were to set up to assist the municipality in developing their planning, budgeting, financial management and technical services.

Expanded Public Works Programme Grant

Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(1,000,000)
	<u>-</u>	<u>-</u>

Conditions has been met - There is no remaining liabilities (see note 15).

This grant was recieved from Department of Public Works and it is utilised for job creation to alleviate poverty.

STRATEGIC ENVIRONMENTAL ASSESSMENT GRANT

Balance unspent at beginning of year	<u>256,989</u>	<u>256,989</u>
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Conditions still to be met - remain liabilities (see note 15).

This grant was received from Department of Agriculture to do Environmental Assessment within the the municipality.

SMALL TOWN REHABILITATION GRANT

Balance unspent at beginning of year	2,143,304	2,797,834
Current-year receipts	-	7,000,000
Conditions met - transferred to revenue	(1,387,552)	(7,654,530)
	<u>755,752</u>	<u>2,143,304</u>

Conditions still to be met - remain liabilities (see note 15).

This grant was recieved from KZN-COGTA in regards of Small Town Rehabilitation

FINANCIAL MANAGEMENT GRANT

Balance unspent at beginning of year	97	-
Current-year receipts	1,800,000	1,650,000

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Notes to the Financial Statements

	2015 R	2014 R
22. Operational Grants (continued)		
Conditions met - transferred to revenue	(1,800,097)	(1,649,903)
	-	97

Conditions has been met - There is no remaining liabilities (see note 15).

This grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA. As part of strengthening financial, asset and risk management in municipalities, the grant also provided funding for an internship programme

LAND USE MANAGEMENT SYSTEM (LUMS) GRANT

Balance unspent at beginning of year	73,000	73,000
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Conditions still to be met - remain liabilities (see note 15).

This grant was provided to assist in the development of Land Use Management System.

LIBRARY CYBER CADET GRANT

Conditions met - transferred to revenue	126,000	120,000
Other	(126,000)	(120,000)
	-	-

Conditions has been met - There is no remaining liabilities (see note 15).

This grant was recieved from KZN Department of Arts and Culture for capacity building and support on Information Technology in the Harding Town Library .

MUNICIPAL INFRASTRUCTURE GRANT

Balance unspent at beginning of year	6,965,859	-
Current-year receipts	21,896,000	22,939,415
Conditions met - transferred to revenue	(20,072,200)	(15,973,556)
	8,789,659	6,965,859

Conditions still to be met - remain liabilities (see note 15).

This grant is used to address backlogs in municipal infrastructure required for the provision of basic services.

GOVERNMENT EXPERT GRANT

Balance unspent at beginning of year	7,890	7,890
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Conditions still to be met - remain liabilities (see note 15).

This grant was used for capacity building in low capacity municipalities.

SPORTS AND RECREATIONAL GRANT

Balance unspent at beginning of year	55,439	-
Current-year receipts	-	150,000
Conditions met - transferred to revenue	(55,439)	(94,561)
	-	55,439

Conditions has been met - There is no remaining liabilities (see note 15).

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Notes to the Financial Statements

	2015 R	2014 R
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22. Operational Grants (continued)

This grant was received from KZN Department of Sports and Recreation. The grant is utilised for Operating expenses to maintain Harding Park .

PUBLIC PARTICIPATION (IDP) GRANT

Balance unspent at beginning of year	57,500	-
Current-year receipts	-	200,000
Conditions met - transferred to revenue	-	(142,500)
	<u>57,500</u>	<u>57,500</u>

Conditions still to be met - remain liabilities (see note 15).

This grant was recieved from KZN Department of COGTA and it is utilised to print Municipal Intergrated Development Plan booklets .

Disaster Management Grant

Current-year receipts	<u>317,163</u>	<u>-</u>
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Conditions has not been met - remain liabilities (see note 15).

This grant was recieved from Ugu District Municipality and it is utilised for Disaster Management .

23. Capital grants

Municipal Infrastructure Grant	19,075,294	21,976,106
Small Town Rehabilitation Grant	1,387,552	7,654,530
Equitable Share-CAPEX	3,724,300	5,297,832
	<u>24,187,146</u>	<u>34,928,468</u>

Capital Grants consist of Municipal Infrastructure Grant (MIG) , Small Town Rehabilitation Grant, Expanded Public Works Programmes (EPWP) , Financial Management Grant (FMG) , Equitable Share. Refer to note 16

24. Other income

Other revenue	1,476,926	525,177
Building plan fees	27,968	27,528
Burial Fees	69,579	23,783
Hall hire and facilities	41,246	17,517
	<u>1,615,719</u>	<u>594,005</u>

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Notes to the Financial Statements

	2015 R	2014 R
25. General expenses		
Internal Audit	69,703	41,342
Advertising	253,024	192,951
Auditors remuneration	1,125,658	1,273,398
Bank charges	62,744	159,763
Consulting and professional fees	332,716	107,672
Stores and Materials	694,971	420,673
Entertainment	97,330	52,769
Fines and penalties	-	1,105
Insurance	177,152	151,575
Conferences and seminars	563,265	583,529
IT expenses	155,766	49,753
Levies	263,848	239,461
Motor vehicle expenses	91,142	106,273
Fuel and oil	1,137,589	1,413,596
Operating Lease payments (Rent)	226,760	188,430
Postage and courier	35,054	55,475
Printing and stationery	179,339	351,887
Promotions	46,982	19,751
Protective clothing	219,229	15,213
Town Planning Scheme	374,628	653,263
Legal Expenses	170,991	253,906
Employee Assistant Programme	81,985	38,830
Subscriptions	983,712	182,752
Telephone and fax	661,965	877,787
Training	130,876	89,889
Travel - local	319,789	466,893
Valuation of Properties	249,300	32,941
Tools and Equipment	21,755	8,759
Electricity	395,327	552,313
Water	292,969	547,937
Refuse	602	2,226
Job Evaluation	10,000	-
Office Equipment	-	149,344
Office Expenses	369,086	126,093
LED Fund	754,350	258,030
Special Programmes	1,509,937	1,270,492
Free basic services	3,198,615	2,429,208
Electrification Expense	7,541,972	1,187,140
Afforestation Expenses	647,191	629,785
Public Participation	483,140	367,786
Other expenses	1,337,807	1,422,106
	25,268,269	16,972,096

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Notes to the Financial Statements

	2015 R	2014 R
26. Employee related costs		
Basic	22,429,380	18,975,046
Medical aid - company contributions	1,226,203	1,088,403
UIF	226,727	197,776
Leave pay provision charge	363,866	567,433
Pension Fund	3,793,094	3,439,469
Overtime payments	2,918,680	2,273,084
Housing benefits and allowances	137,614	134,138
Car Allowances	1,839,568	1,646,378
Bargaining Council Levy	13,093	11,590
Wages	280,973	333,639
	33,229,198	28,666,956
Remuneration of Municipal Manager: Mr SD Mbhele (549)		
Annual Remuneration	836,560	789,926
Car Allowance	152,369	204,184
Contributions to UIF, Medical Aid and Pension Fund	56,836	1,785
	1,045,765	995,895
Remuneration of Chief Financial Officer Ms ST Mhlongo (11068)		
Annual Remuneration	703,730	730,340
Contributions to UIF, Medical Aid and Pension Fund	146,704	50,726
	850,434	781,066
Remuneration of Director Community Services Mr WT Gumede (11015)		
Annual Remuneration	703,730	-
Car Allowance	58,559	-
Other Contributions	57,393	-
	819,682	-
Remuneration of Technical Services: Mr M Guzowski (11030) (Contract ended : 31/01/2015)		
Annual Remuneration	250,532	460,322
Car Allowance	86,009	144,458
Other Contributions	1,190	1,785
	337,731	606,565
Remuneration of Technical Services : Mr PS Malinga (110115) (Employed from 15 June 2015)		
Annual Remuneration	29,386	-
Uif	149	-
Other Allowances	1,650	-
	31,185	-
27. Remuneration of councillors		
Councillors	5,803,158	5,557,607
Telephone allowance	331,814	276,153
	6,134,972	5,833,760

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Notes to the Financial Statements

	2015 R	2014 R
27. Remuneration of councillors (continued)		
Mayor : Hon D. Nciki (2031)	742,962	700,494
Deputy Mayor : CHr MB Gavu (2023)	606,858	568,470
Speaker : CM AD Ngubo (2030)	633,941	598,369
Exco Member : Cllr NB Dlamini (2000)	563,340	536,613
MPAC Chair : Cllr MV Nyathi (2025)	307,768	286,267
Other Councillors	3,280,103	3,143,547
	6,134,972	5,833,780

in-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of a Council owned vehicle for official duties and has one full-time driver.

28. Administrative expenditure

Administration and management fees - third party (Afforestation)	298,020	260,212
Administration and management fees - related party (Afforestation)	4,019,834	3,486,795
	4,317,854	3,747,007

29. Debt impairment

Debt impairment	248,553	(1,185,001)
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30. Investment revenue

Interest revenue		
Bank	4,713,291	3,249,569

The amount disclosed in the Investment revenue arising from the interest on invested funds that are not immediately required please refer to cash and cash equivalent note.

31. Changes in value of plantation

Plantation standing timber Afforestation Scheme	1,175,807	2,064,252
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32. Depreciation and amortisation

Property, plant and equipment	8,064,461	7,142,459
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33. Finance costs

Finance leases	27,341	72,382
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34. Auditors' remuneration

Expenses	1,125,658	1,273,398
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35. Operating lease

Describe the lessee's significant leasing arrangements which include:

- basis on which contingent rent payable is determined.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Notes to the Financial Statements

	2015 R	2014 R
35. Operating lease (continued)		
• the existence and terms of renewal or purchases options and escalation clauses; and		
• restrictions imposed by lease arrangements, such as those concerning return of net surplus, return of capital contributions, dividends, additional debt and further leasing.		
36. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	45,240	45,590
37. Contracted services		
Security	806,088	629,557
38. Grants and subsidies paid		
Other subsidies		
Contribution to UGU (South Coast Tourism)	3,991,753	3,844,596
39. Bulk purchases		
Electricity Purchases	5,651,928	7,044,142
Electricity Purchases	14,881,170	11,287,967
	20,533,098	18,332,109
Electricity Distribution Losses for the year 2014/2015 are 5% of the Kwh bought and R 5 568 574.95 in rand value		
Electricity Distribution Losses for the year 2013/2014 are 1% of the Kwh bought and R 228 377.70 in rand value		
40. Cash generated from operations		
Surplus	46,755,163	46,825,685
Adjustments for:		
Depreciation and amortisation	8,064,594	7,142,459
(Loss) gain on sale of assets and liabilities	(4,303,878)	-
Changes in value of plantation	(1,175,807)	(2,064,252)
Debt impairment	248,553	(1,185,001)
Other liabilities	(3,004,878)	1,320,000
Finance Cost	27,341	5,638,196
Prior period error	(54,000)	-
Changes in working capital:		
Inventories	(252,979)	(18,923)
Receivables from exchange transactions	(209,585)	(288,095)
(increase)/decrease in other receivables	(3,575,043)	1,115,971
(increase)/decrease in investment property	-	- 54,000
(increase)/ decrease in borrowings	(146,869)	(77,032)
(Increase)/decrease in trade payables	-	(1,866,050)
(Increase)/decrease in conditional grants and receipts	-	(114,263)
Payables from exchange transactions	(2,253,732)	161,262
Unspent conditional grants and receipts	6,684,281	4,075,044
Consumer deposits	15,650	(6,683)
	55,433,200	60,675,009

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Notes to the Financial Statements

	2015 R	2014 R
41. Commitments		
Authorised capital expenditure		
Commitments in respect of capital expenditure Approved and Contracted		
Infrastructure	9,038,168	5,931,417
Community	673,379	1,009,505
Other	1,455,628	10,250,833
Commitments in respects of operating expenditure		
Approved and Contracted for	1,883,244	9,382,000
	13,050,419	26,573,755
Approved but not yet contracted for and authorised by council		
infrastructure	26,988,400	4,260,750
Community	-	4,776,868
Other	2,572,947	-
Commitments in respect of operating expenditure	456,401	610,000
	30,017,748	9,647,618
Total capital commitments		
Already contracted for but not provided for	13,050,419	26,573,755
Not yet contracted for and authorised by accounting officers	30,017,748	9,647,618
	43,068,167	36,221,373

This committed expenditure relates to property plant equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, and other grants to be received from other government spheres etc.

42. Related parties

Controlled Afforestation Scheme

Refer to note 53

43. Going concern

We draw attention to the fact that at June 30, 2015, the municipality had accumulated surplus of R 248,344,389 and that the municipality's total liabilities exceed its assets by R 274,812,789.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

44. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2015.

45. Unauthorised expenditure

Umuziwabantu Municipality did not incur any unauthorised expenditure during 2014/2015 financial year.

46. Fruitless and wasteful expenditure

Umuziwabantu Municipality did not incur any fruitless and wasteful expenditure during 2014/2015 financial year.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Notes to the Financial Statements

	2015 R	2014 R
47 Irregular expenditure		
Opening balance	11,558,608	6,972,169
Add: Irregular Expenditure – current year	10,050,419	6,608,560
Less: Amount written off after investigation by council	21,593,030	2,022,121
Closing balance – Irregular expenditure awaiting investigation	34,650	11,558,608

48. Contingent Liabilities : (Litigations matters) R 2 385 887.13 - Access road Hiabe to KwaNgubelanga (early termination of contract)and other Municipal By-laws implementation disputes

49. Contingent Liabilities : Wage Curve Agreement :

On 21 April 2010 SALGA signed the "Categorisation and job evaluation wage curves collective agreement" (wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees, based on an evaluation of employees' jobs per the TASK job evaluation system. Subsequent to the signing of the agreement, the unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with effect from 1 July 2010 instead of 1 July 2011. SALGA, on behalf of municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012. To date this Labour Court of Appeal case has not been finalised. The Municipality has not yet stated the process of the job evaluations and as a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have an additional payable for employee wages, depending on the outcome of the pending litigation and finalization of Job evaluation . As a result of the above standing issues is not practicable to reliably estimate the amount of this payable.

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government(SALGA)

Current year subscription / fee	999,400	20,000
Amount paid - current year	(999,400)	(20,000)

Audit fees

Current year subscription / fee	1,256,941	1,273,398
Amount paid - current year	(1,256,941)	(1,273,398)

PAYE and UIF

Current year subscription / fee	4,960,633	4,357,082
Amount paid - current year	(4,960,633)	(4,357,082)

Pension and Medical Aid Deductions

Current year subscription / fee	7,739,720	6,872,722
Amount paid - current year	(7,739,720)	(6,872,722)

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Notes to the Financial Statements

	2015 R	2014 R
50. Additional disclosure in terms of Municipal Finance Management Act (continued)		
VAT		
VAT receivable	3,167,908	1,628,105

VAT output payables and VAT input receivables are shown in note 10.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillor had arrear accounts outstanding for more than 90 days at June 30, 2015:

June 30, 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor A. Houston	-	3,039	3,039
June 30, 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor A. Houston	-	19,099	19,099

51. Assets subject to restrictions

Assets that have been recognised, but which are subject to restrictions, the amount of restriction are as follows:

52. Budget differences

Material differences between budget and actual amounts

See Statement of comparison on Budget and Actual amount and Appendix E

53. Afforestation

The municipality's plantations are known as The Umuziwabantu Municipality Harding Afforestation Scheme. This Scheme has entered into an agreement with NCT Forestry Co-operative in terms of which the latter has taken over the management of the timber plantations owned by The Umuziwabantu Municipality Harding Afforestation Scheme. By agreement this function is now being performed by NCT Tree Farming (Pty) Ltd, a wholly owned subsidiary of the co-operative.

In terms of this agreement NCT Tree Farming (Pty) Ltd is entitled to a profit share equal to 5% of the net profit generated by the forestry operations prior to the deduction of such fee.

Further, NCT Tree Farming (Pty) Ltd is not entitled to any payment other than the recovery of direct costs should the forestry operation not make a profit, or if a loss is made in any year, nor is it liable for any losses other than in the case of NCT Tree Farming (Pty) Ltd's negligence in terms of the agreement.

No taxation has been provided as the net income is attributable directly to the Umuziwabantu Municipality. In previous years the Afforestation Scheme was accounted for using the equity method. From 1 July 2007 the Scheme's operations have been incorporated on a line-by-line basis into the financial statements.

54. Private public partnerships

The municipality was not a party to any Private Public Partnerships during the financial year 2014/2015

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Notes to the Financial

	2015 R	2014 R
55. Housing Development Fund		
Property Plant and Equipment	763,053	763,053
Housing Rental Debtors	47,620	50,354
Cash Resources	4,960,299	3,798,052
Creditors	(366,727)	(317,537)
	5,404,245	4,293,922

The Housing Development fund is represented by the above assets and liabilities as at 30 June 2015

53. Supply chain section 35 deviations

EUROCAR	25 876	
PAY DAY SOFTWARE	2 352	210 816
THUTHUKANI TAXI ASSOCIATION	360 337	226 350
ILGM & SIGMA IT	23 000	
SUPA QUICK HARDING	4 481	8 996
BATES GARAGE HARDING	134 617	37 493
KOKSTAD NISSAN	61 758	37 464
PAYDAY SOFTWARE SYSTEMS	38 155	
SKY BLUE MEDIA		3 465
KZN TRANSPORT REVENUE	18 648	
QUARTEX TECHNOLOGIES	195 000	
NORTHMEC CSE (NEW HOLLAND)	57 641	58 053
GLOBAL TRANSFORMER		251 776
LION OF AFRICA UNSURANCE	10 000	
IMFO	13 069	
MILLS FITCHET	17 100	
PRESTIGE SECURITY	21 078	
MASCOR HARDING	87 138	
GOVERNMENT PRINTING WORKS	36 227	
THOMPSON MOTORS	49 738	50 887
S.A POST OFFICE	40 866	46 206
LANDIS & GYR	62 016	
TH NIEKMACK BUTCHERY	10 000	
BAGALA BAVUNGAMA TRADING	28 040	
TURNER MORRIS	2 098	
UNION MOTORS SOUTH COAST	11 428	
HARDING AUTO ELECTRICAL	10 682	
ALLY'S AUTOMOTIVE ENGINEERING	6 140	
TOYOTA SHELLY BEACH	45 431	
BRADSHAW LEROUX	39 673	
ZERO TO HERO	20 000	
ROAD TRAFFIC MANAGEMENT	11 712	
MISTER COOL	9 120	
EDWINS MOTOR REPAIRS	3 420	
SALGA	24 400	
BARLOWORLD EQUIPMENT	598 956	216 318
NEFFCON ROADTECH	98 040	
AURECON	99 927	
RENTOKIL	40 907	
COS TECHNOLOGY HOLDINGS	55 650	
EDDIES PANELBEATERS	8 317	
MLILO SECURITY SERVICES	219 743	422 311

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2015

Notes to the Financial Statements

	2015 R	2014 R
56. Supply chain section 36 deviations - continued		
WITS BUSINESS SCHOOL		
A.A LOCKSMITH	6 304	
FLEET CONTROL SYSTEMS	3 671	
ALS CARTAGE	2 632	
UNION MOTORS	44 416	16 759
	2 672 503	1 585 504

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officers and includes a note to the financial statements.

APPENDIX B
UNIZWABANTU MUNICIPALITY
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2016

	Cost/Revaluation				Accumulated Depreciation				Carrying Value					
	Opening Balance	Fair Value	Additions	Disposals	Revaluations Adjustments	Prior Year Adjustments	Closing Balance	Opening Balance		Useful Life Re-Assessment	Current Year	Disposals	Write Downs	Impairments
Land	18 380 797	-	552 500	(1 151 000)	-	-	18 782 297	-	-	-	-	-	-	18 782 297
Buildings	22 163 226	-	907 500	-	-	-	23 070 726	5 881 883	-	870 806	-	-	-	6 752 691
Infrastructure	111 587 259	-	13 231 213	(1 933 332)	-	11 200	122 926 340	17 615 811	-	5 124 587	(340 453)	-	-	22 399 945
Roads	97 743 091	-	12 968 513	(1 933 332)	-	-	108 798 272	11 982 346	-	4 602 588	(340 453)	-	-	16 244 481
Solid Waste	1 563 886	-	94 200	-	-	11 200	1 669 295	547 278	-	106 985	-	-	-	654 272
Cemeteries	5 993	-	-	-	-	-	5 993	5 976	-	8	-	-	-	5 984
Electricity	12 274 281	-	148 500	-	-	-	12 422 781	5 080 212	-	414 996	-	-	-	5 495 209
Assets Under Construction	30 409 199	-	17 465 853	(11 773 343)	-	515 397	36 447 106	-	-	-	-	-	-	36 447 106
Other	14 308 166	-	4 967 184	(648 057)	-	181 999	18 798 862	8 711 781	(146 139)	1 475 956	(505 321)	-	(351)	9 536 028
Furniture & Office Equipment	2 054 196	-	151 716	(118 216)	-	49 227	2 117 522	1 469 132	(771 351)	254 926	(95 653)	-	(286)	1 557 257
Transport Assets	5 310 283	-	1 828 468	-	-	-	7 138 771	2 463 187	-	825 631	-	-	-	3 088 719
Computer Equipment	1 064 738	-	333 090	(151 383)	-	18 355	1 295 500	586 959	(7 110)	204 452	(113 657)	-	-	680 644
Machinery and Equipment	5 898 949	-	2 653 891	(378 459)	-	63 497	8 236 869	4 182 502	(101 976)	391 047	(296 011)	-	(53)	4 027 461
Finance Leases	1 372 948	-	-	(608 993)	-	-	683 955	686 429	-	221 507	(668 989)	-	-	341 976
Afforestation (consolidated)	1 734 414	-	87 688	-	-	-	1 822 382	367 275	-	98 634	-	-	-	1 356 473
Solid Waste (Landfill Site)	2 363 245	-	-	-	-	-	2 363 245	546 404	-	273 202	-	-	-	819 606
	203 349 254	-	37 242 216	(16 194 725)	-	617 668	224 914 713	33 809 593	(146 938)	8 064 894	(1 411 732)	-	(351)	40 315 195
														184 598 559

ANALYSIS OF INTANGIBLE ASSETS FOR THE YEAR ENDED 30 JUNE 2016

ANALYSIS OF INTANGIBLE ASSETS FOR THE YEAR ENDED 30 JUNE 2015												
	Cost/Revaluation				Accumulated Depreciation				Carrying Value			
	Opening Balance	Fair Value	Additions	Disposals	Prior Year Adjustments	Closing Balance	Opening Balance	Current Year	Disposals	Impairments	Closing Balance	
Intangible Assets	-	-	38 770	-	-	38 770	-	7 108	-	-	7 108	31 662

ANALYSIS OF INVESTMENT PROPERTY FOR THE YEAR ENDED 30 JUNE 2016

ANALYSIS OF INVESTMENT PROPERTY FOR THE YEAR ENDED 30 JUNE 2016												
	Cost/Revaluation				Accumulated Depreciation				Carrying Value			
	Opening Balance	Fair Value	Additions	Disposals	Prior Year Adjustments	Closing Balance	Opening Balance	Current Year	Disposals	Impairments	Closing Balance	
Investment Properties	1 832 000	-	(153 000)	-	-	1 479 000	-	-	-	-	-	1 479 000

NOTES:

186 108 220

APPENDIX C
UMUZIWABANTU MUNICIPALITY[illegible]

Intangible Assets
Investment Properties

APPENDIX D
UMUZIWABANTU MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2015

2013/2014 Actual Income R	2013/2014 Actual Expenditure R	2013/2014 Surplus/ (Deficit) R		2014/2015 Actual Income R	2014/2015 Actual Expenditure R	2014/2015 Surplus/ (Deficit) R
RATE AND GENERAL SERVICE						
18 465 827.00	13 973 416.00	4 492 411.00	Executive and Council	19 422 724.00	16 094 727.00	3 327 997.00
						-
21 979 165.00	15 426 868.00	6 552 297.00	Finance and Administration	33 655 979.00	19 189 030.00	14 466 949.00
						-
-	-	-	Health	-	-	-
						-
3 561 103.00	2 999 826.00	561 277.00	Community & Social Services	3 825 778.00	3 067 337.00	758 441.00
						-
3 756 613.00	2 132 718.00	1 623 895.00	Planning and Development	3 432 512.00	4 722 313.00	-1 289 801.00
						-
487 025.00	23 759.00	463 266.00	Disaster Management	516 247.00	286 038.00	230 209.00
						-
10 629 534.00	11 970 039.00	-1 340 505.00	Road Transport	10 990 150.00	7 100 492.00	3 889 658.00
						-
2 562 933.00	2 988 189.00	-425 256.00	Sports and Recreation	2 671 913.00	4 627 879.00	-1 955 966.00
						-
40 664 270.00	7 924 553.00	32 739 717.00	Other Forestry, Workshop etc	24 083 506.00	8 672.00	24 074 834.00
						-
102 106 470.00	57 439 368.00	44 667 102.00	Total Rate and General Service	98 598 809.00	55 096 488.00	43 502 321.00
						-
TRADING SERVICE						
26175232	25768421	406 811	Electricity	38662766	35303590	3 359 176.00
						-
6602460	4850689	1 751 771	Waste Management	5633448	5143443	490 005.00
						-
134 884 162.00	88 058 478.00	46 825 684.00	TOTAL	142 895 023.00	95 543 521.00	47 351 502.00